

Message Text

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45

ACTION NEA-12

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-09 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

HEW-08 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01 IO-12

RSR-01 IGA-02 /165 W

----- 035691

R 110610 Z APR 73

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 8725

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

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E. O. 11652: N/ A

TAGS: EIND, PK

SUBJ: PHARMACEUTICALS: COMMENTARY ON GENERIC DEVELOPMENTS

REFS: A) ISLAMABAD 2745; B) KARACHI 0526;

C) ISLAMABAD 2769

1. SUMMARY: SURPLUS BRANDED STOCK PROBLEM (AT LEAST
AS FAR AS MANUFACTURERS ARE CONCERNED) NOW SEEMS ON ITS
WAY TO RESOLUTION, WHILE ISSUES OF PRICING AND AVAILABILITY

OF GENERIC- NAME PRODUCTS REMAIN UNCERTAIN AND POTENTIALLY
TROUBLESOME. AT PRESENT, AVAILABILITY OF GENERIC DRUGS
IS CONTROVERSY BETWEEN GOP AND DRUGGISTS BUT MINISTRY OF
HEALTH MAY BLAME MANUFACTURERS FOR SHORTAGES AND MAY FORCE
THEM TO PRODUCE GENERICS. AS RATIONALE FOR GENERICS NAMES
ACT WAS THAT IT WOULD RESULT IN CHEAPER DRUGS, MANUFACTURERS
ARE CONCERNED LEST GOP IMPOSE PRICE CONTROLS. END SUMMARY.

2. DISPOSAL OF STOCKS. SINCE END OF FEBRUARY GOP HAS
MOVED TO ACCOMMODATE
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SIGNIFICANT MANNER INDUSTRY
CONCERN ABOUT DISPOSAL OF SURPLUS BRANDED STOCKS
ACCUMULATED BEFORE DECEMBER 23 CUT-OFF DATE. TRADE HAD
BEEN CONCERNED THAT POSSESSION OF SUCH STOCKS AFTER
MARCH 31 WOULD BE CRIMINAL OFFENSE AND THAT INDUSTRY WOULD
BE EXPECTED TO DESTROY ESTIMATED \$15 MILLION IN UNUSED
INVENTORIES. AFTER SERIES OF MEETINGS WITH MANUFACTURERS

AND RETAILERS IN FEBRUARY, GOP ANNOUNCED THAT BRANDED STOCKS
WITH EQUIVALENTS ON NATIONAL FORMULARY COULD BE RELABELED
UNDER GENERIC STICKERS AND SOLD THROUGH SEPTEMBER 30,
A MEASURE WHICH ACCORDING TO MANUFACTURERS TOOK CARE OF
50-60 PER CENT OF EXCESS STOCKS. ADDITIONAL GOP MEASURES JUST
BEFORE AND SINCE APRIL 1 DEADLINE TO BROADEN CATEGORY
OF BRANDED STOCKS WHICH CAN BE RELABELED AND TO ENLARGE
NUMBER OF EXEMPTED PRODUCTS HAVE FURTHER EASED SITUATION.
HEALTH MINISTER AND OTHER INDUSTRY SPOKESMAN HAVE STRESSED

THAT MINISTRY HAS OPEN MIND REGARDING ANY GENUINE

RESIDUAL PROBLEMS OF UNUTILIZED STOCKS. THUS GOP HAS
DEMONSTRATED CONSIDERABLE FLEXIBILITY ON THIS ISSUE,
AND WE ARE HOPEFUL THAT PROBLEM HAS BASICALLY BEEN
RESOLVED.

3. AVAILABILITY OF GENERIC MANUFACTURERS. GOP'S

FEBRUARY 3 DRUG ORDER TO FIRMS TO PRODUCE DRUGS UNDER DII
LWRIC NAMES AT SAME LEVELS AS THEY WERE PRODUCING
BRANDED DRUGS BEFORE DECEMBER 21 WAS REGARDED BY THEM AS
UNPRECEDENTED AND INTERFERING UNDULY IN COMPANY MANAGE-
MENT. SUBSEQUENTLY, MINISTRY INTIMATED THAT IT WOULD NOT
ENFORCE LETTER OF ORDER PROVIDED FIRMS MADE GOOD FAITH
EFFORTS TO PRODUCE GENERICS. WE HAVE HEARD OF NO
REFERENCE TO THIS ORDER BY GOP SPOKESMEN IN MORE THAN A
MONTH, AND INDUSTRY HAS EXHIBITED RELATIVELY LITTLE
CONCERN ABOUT IT IN RECENT WEEKS. HOWEVER, WITH PASSAGE
OF MARCH 31 DEADLINE, AVAILABILITY HAS AGAIN ENTERED
SPOTLIGHT, AS INDICATED REF B. PRESS REPORTS HAVE SUGGESTED
THAT RELATIVELY FEW OF DRUGS LISTED ON NATIONAL FORMULARY

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(ALTHOUGH HEALTH MINISTRY HURRIEDLY DENIED

THAT THIS WAS CASE),
AND PHARMACISTS ARE APPARENTLY
MOVING VERY SLOWLY TOWARD RESTOCKING WITH GENERICS.
IF POST- DEADLINE CONFUSION DOES NOT SORT ITSELF OUT
WITHIN NEXT FEW WEEKS, AVAILABILITY OF GENERIC DRUGS MAY
BECOME SERIOUS ISSUE. AT PRESENT TIME FOCUS OF
CONTROVERSY IS BETWEEN GOP AND DRUGGISTS, BUT MINISTRY OF
HEALTH MAY FIND IT CONVENIENT TO BLAME FIRMS AS WELL

AND TROT OUT DRUG ORDER IN EFFORT TO FORCE MORE GENERIC
PRODUCTS INTO MARKET PLACE.

4. PRICE CONTROLS. RATIONALE FOR GENERIC NAMES ACT WAS
THAT IT WOULD BRING DOWN DRUG PRICES. MANUFACTURERS HAVE
BEEN CONCERNED LEST GOP IMPOSE PRICE CONTROLS, IF THIS

DID NOT OCCUR. GOP DID ANNOUNCE PRICING FORMULA FOR
IMPORTED DRUGS WHICH INDUSTRY REGARDS AS INSUFFICIENT

TO COVER POST- DEVALUATION COSTS OF IMPORTS, AND INDUSTRY
HAS BEEN PARTICULARLY FEARFUL OF POSSIBLE IMPOSITION OF
PRICING FORMULA FOR LOCALLY MANUFACTURED DRUGS AS WELL.

IN VIEW OF THIS CONCERN SHEIKH RASHID' S MARCH 31 CLAIM
THAT DRUG PRICES HAVE DROPPED MARKEDLY SINCE INTRODUCTION
OF GENERIC MANUFACTURING IS INTERESTING, SINCE IT CON-

FLICTS WITH EVIDENCE AVAILABLE (SEE PARA 4 OF REF B) THAT
PRICES IN GENERAT ARE SOMEWHAT HIGHER. RASHID' S STATEMENT
APPEARS TO HAVE BEEN DESIGNED (A) TO CONVINCE PUBLIC SWITCH

TO GENERICS
IS ALREADY A SUCCESS, AND (B) TO USE SELECTIVE
GROUP OF PRICES FROM NEW " BACKYARD" MANUFACTURERS IN
ORDER TO STAMPEDE ESTABLISHED MANUFACTURERS AND DRUGGISTS INTO
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LOWERING PRICES. JUDGING FROM RASHID' S COMMENTS TO
CHARGE REF C AND FROM RECENT COMMENTS TO EMBOFF BY GOP
DRUGS CONTROLLER, MINISTRY DOES NOT SEEM BENT ON
IMPOSING PRICE FORMULA ON LOCALLY MANUFACTURED PRODUCTS

AT PRESENT. NEVERTHELESS, THREAT OF CONTROLS IS WEAPON
MINISTER HOLDS IN RESERVE IF BEHAVIOR OF DRUG PRICES

NEXT FEW WEEKS DOES NOT CORROBRATE HIS CLAIMS AND
HIS CREDIBILITY WITH PUBLIC IS IN DANGER.

SOBER

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